

PARC's Perspective

The Future--Where We're Going As We Move Toward the 21st Century

The Outlook

Acquisition Reform is no longer an option and Not Just Talk! The February 1996 premier edition of the publication, Acquisition Reform **TODAY**, stated that acquisition reform is a "major, irreversible movement for change that will make a real difference for the warfighter and our national defense. Acquisition Reform is not merely a collection of policies and statutes, it is what you do every day to make things better." The world order has changed; threats to U.S. interests have changed; technology is changing and the bounty of resources once enjoyed and oftentimes abused is no longer available. The Federal acquisition system with all of its integral parts must change! The Congress which is part of the Federal Acquisition System's Internal Component must reexamine its impact on the overall system; the User Component must change; the procedures, mindsets of the professionals and statutes that direct the conduct of the Acquisition Process Component must change; the concept of the Industrial Component must be reengineered; and the attitudes and policies that structure the conduct of cooperative relationships with other nations which comprise the External Component must change. Considering dwindling resources as we approach the 21st century; the issues surrounding the five major components of the Federal Acquisition System; and the magnitude of adverse impact on a single major purchase from "unhealthy" conduct of any one of the components of the Federal Acquisition System make it crucial that "**critical acquisition thinking**" from the White House to the foxhole be reformed. Our volatile, uncertain, complex and ambiguous strategic environment can no longer tolerate a bureaucratically paralyzed acquisition system that cannot, in the least, be characterized by adaptiveness; flexibility; innovativeness; responsiveness; and efficiency, in the attempt to acquire quality, affordable goods, on time and within budget. The Deputy Under Secretary of Defense for Acquisition Reform has stated that "We must never forget the mission of the acquisition system is to meet warfighter needs."

With that fact in mind, if the acquisition process is not adaptive, flexible, innovative, responsive and efficient, it must be reformed to design those characteristics into the process.

The complex and, oftentimes considered, inefficient acquisition system existing today was actually designed to protect the government's interest against price-gouging. When competitive market forces could not determine a fair and reasonable price for an item, such as a submarine or a mil-spec jet that was only being sold to the government, other cost-based type of contracting procedures had to be determined to ensure that the profits realized by a company did not exponentially exceed the cost of production of the item. However, critics have long believed that those unique cost-based processes have far exceeded the time and cost of the typical commercial practice that could have been used to afford the same protection. (Ms. Coleen Preston, 1994) echoes the intent of the acquisition system by stating that: "The DOD acquisition system is a web of laws, regulations, and policies adopted for laudable reasons over many years. The intent of the system was to ensure standardized treatment of contractors; prevent fraud, waste, and abuse; ensure that the government acquisition process was fair; check the government's authority and its demand on suppliers; and, enhance socioeconomic objectives. While the intent of these provisions is laudable, combined, the result is a cumbersome system which takes too long to satisfy customer requirements. In addition, the system places administrative burdens on both DOD and our suppliers that adds cost to the product procured. We can no longer afford these costs and meet mission requirements within current fiscal constraints." This foregoing statement alone, should make the case that acquisition reform is not an option--it is imperative!

I firmly believe the present efforts in acquisition reform will bring about astounding change. We must effect a type of acquisition system for the 21st century, that will be adaptive, flexible, innovative, responsive and efficient enough to acquire the most affordable and quality systems, products and services, just in time of need, to support our warfighters. The acquisition challenges over the years have centered on the following, not all inclusive list: buying items smarter, faster, of better quality, and at lower cost; relations between government and industry; a rigid system of military specifications; integration of the military and commercial industry complex; congressional oversight and GAO audits; sustained presidential commitment; layers of management; federal procurement laws; the single-year budget process; personnel improvements; reducing cost and improving weapon system performance; revising policies, practices and procedures; improving communications with users; program

stability/multiyear funding; reporting requirements; shrinking research and development budgets; duplicative efforts; post Cold-War affects upon the defense industry; eliminating unique government requirements; commercialization; electronic commerce; acquisition teaming approaches; reducing cycle time by 50%; reducing cost of ownership; use of performance SPECS and non-government standards; procuring goods and services with "best value" techniques; test and evaluation; empowering people to manage - not avoid risk; competition; cost of socioeconomic concerns; retiring equipment; modernization through spares; and changing the budget process. Until the passage of the Federal Acquisition Streamlining Act of 1994, many industry managers believed that the acquisition process was resilient to change, but because of this act, more industry managers believe the time is now right to speak out and make Congress and the DOD leadership fully aware of non-value rules and regulations that are adversely affecting their competitiveness internationally. They also advise on how specific rules are gravely threatening U.S. technological leadership in certain industries. Current acquisition regulations--with narrow exceptions--prevent a company from sharing equipment, personnel, accounting systems and other resources among their defense and commercial sectors, and force expensive duplication. Doing almost any business with the U.S. military requires maintaining separate cost accounting systems, property control procedures, unique pricing data, and detailed records to support periodic audits. Industry managers are recommending to Congress that "further reduction and elimination of non-value rules and regulations," and fostering "a lower-cost environment in which to compete are essential. Industry managers strongly concur that equipment requiring military specifications and separate production lines are no longer needed.

The FY96 National Defense Authorization Act was signed February 10, 1996. It supported many of the acquisition reform initiatives we now are privileged to enjoy. The implementation Plans for FAR FASA 1994 and DFARS FASA 1994 became reality. Guidance and information have been developed on the following: Acquisition Reform Strategy and Vision; Congressional Testimony and Speeches; Rules of the Road for IPTS; and Process Action Team (PAT) Implementation Memoranda, i.e., Contract Administration PAT, Oversight and Review PAT, Procurement Process PAT, Specifications and Standards PAT. There has been a re-write of FAR Part XV and DOD 5000 series has been integrated with the DOD 8000 series on Automated Information Systems Acquisitions.

The **Army's** Procurement Vision is to "establish the Army as the Government's premier procurement organization. It's guiding

principles are focused on its customers, its people, professionalism, innovation and quality. It's strategic focus is to develop a system which satisfies the customer; minimizes administrative operating costs; conducts business with integrity, fairness and openness; fulfills public policy objectives; selects contractors who have a track record of successful past performance; promotes competition; uses sound business judgment; maximizes use of commercial products and services; uses best value source selections; and promotes an integrated, strong national industrial base. Its goals are to "Empower innovative, procurement professionals; acquire affordable quality products and services and ensure on-time delivery of supplies and services." The Army is also working a concept of "contingency contracting" that will cut cost, acquisition lead time and better support readiness in the variety of contingency operations that could evolve. The Corps of Engineers will play in all these initiatives and be a big player!

Congress is aggressively investigating how to revise and streamline the acquisition laws of the federal government. They have looked at overhauling the concept of competition; overhauling the Foreign Military Sales Fee requirement; and looked into revising the mechanisms for resolving federal procurement disputes.

All services and federal agencies are concentrating on hiring and certifying the best acquisition workforce; is looking at Cost as and Independent Variable; and has institutionalized successful integrated product teams for routine contracting operations.

The **DOD audit community** has developed a white paper summarizing initiatives that are underway to reengineer the audit and inspection planning process, with emphasis on acquisition programs and contract oversight.

All players in the acquisition process appear to be hard-wired to the warfighter by ensuring that its bureaucratic impacts on readiness are reengineered. Over the years, commissions after commissions have identified the priority issues, developed strategies and action plans under the umbrella of acquisition reform, but little change had been noted, until the quantum leap that was made with the Federal Acquisition Streamlining Act of 1994. That first set of laws seems to have initiated a snowball affect that is now taking on momentum. There must be the right balance of power among the parties who make up the acquisition community, focused on a "readiness" that is safeguarded, at whatever expense. Reforms, for too long have continuously resulted from procedures and legislation that have failed rather than from a critical analysis of long standing business principles that were tested for feasibility on the Department of Defense. I look at DOD business as a tailored subset of the type of business infrastructure and principles that helped our country for so many years survive as an economic

superpower. I believe we should start with the tenets of that business model and reconstruct defense business on a more stable foundation. Even though the reform effort has experienced some success this time by trading-off the "ills" of one component of the acquisition system on another component, we must now focus in the 21st century on a reform that will serve more than another short-term pseudo-fix.

How can acquisition reform truly become reality and become firmly institutionalized in our government as a cornerstone? In the Corps all initiatives must be implemented as integrated efforts with the simultaneous support of all of the system's components. To succeed and get off of the cyclic acquisition reform treadmill, I believe each component must seriously agree to begin a zero-based culture and attitude change toward their commitments to the security of the nation, the public trust and the readiness of the soldier. Protecting the security of the nation, the public trust and readiness of the soldier must be the unity of purpose that must be met, at all cost, rather than individual component desires, and that unity of purpose must be constantly guided by the leadership.

I believe the right issues have been identified; many of the right business principles have often been debated; but the missing element is the concurrent implementation of those issues and principles in an integrated acquisition infrastructure where no acquisition-component's selfishness threatens the unity of purpose. It must be clearly understood that this futuristic option to finally realize acquisition streamlining and reform is not based on new knowledge, new business principles, but on new attitudes of sacrifice and proper balancing of all the goals and objectives of the acquisition infrastructure toward a most needed unity of purpose for survival of best value contracting. This unity of purpose will force the systemic change that is required to effect lasting acquisition streamlining and reform. Each player in the acquisition process is hereby challenged to embrace a new culture of teamwork and prove that acquisition reform is real, not just talk, and not an option! It must be aggressive and must permeate the entire acquisition infrastructure. I challenge the Corps acquisition community to get off the periphery of reform and go deep for a systemic overhaul.